

# REMUNERATION

Our people and our knowledge are our most important capital. We want our employees to offer our clients a high level of quality and service, so we pay considerable attention to training and development, and offer our employees a competitive employment package.

## Remuneration policy governance

The Statutory Board sets the remuneration policy for employees, based on the advice of the Human Resource Management (HRM), Finance, Reporting & Control, Group Risk Management and Compliance departments. These, together with Group Audit, also have an important part to play in setting up, adjusting, implementing and reviewing our variable remuneration policy. They advise the Statutory and Supervisory Boards and report to them on their conclusions.

The Statutory Board is responsible for implementing our remuneration policy. The Supervisory Board approves our variable remuneration policy, including its general principles, and oversees its implementation. Approval by the Supervisory Board is also required for our variable remuneration pools, any significant individual variable remuneration, and for individual variable remuneration proposed for employees designated as identified staff. The Supervisory Board's Remuneration Committee prepares the Supervisory Board's decision-making on remuneration and advises it in this area.

## Fixed remuneration

Employees' fixed remuneration reflects their relevant working experience and organisational responsibilities.

## Variable remuneration policy for Van Lanschot Kempen employees

Van Lanschot Kempen has variable remuneration policies in place governing all employees of F. van Lanschot Bankiers (Van Lanschot Bankiers) and Kempen & Co (Kempen), and based on the principle that it ought to be possible to reward employees who distinguish themselves through their performance. According to this principle, every employee can be considered for a variable remuneration award.

Based on operating results, the Statutory and Executive Boards determine whether variable remuneration will be awarded and what amount is available, taking into account achievement of financial and non-financial performance criteria. The boards submit the proposed amount for the variable remuneration pool for the approval of the Supervisory Board, and any deviations also require Supervisory Board approval.

Once the amount available for variable remuneration at Van Lanschot Bankiers and Kempen has been determined, the Statutory Board decides how this variable remuneration will be distributed at Van Lanschot Bankiers, while Kempen's Management Board decides on its distribution at Kempen.

The average variable remuneration of all Van Lanschot Kempen employees who work (largely) in the Netherlands may not exceed 20% of their fixed remuneration.

Variable remuneration of up to 100% of fixed remuneration may be granted on special grounds in individual situations. This only applies to a small number of employees.

## Award

Variable remuneration to individual employees is awarded on the basis of individual performance, market competitiveness and special factors. An employee's personal performance is assessed on quantitative (i.e. financial) and qualitative (non-financial) performance criteria, with some departments applying only qualitative criteria. At least 50% of the allocation of any variable remuneration is based on non-financial criteria.

Individual performance is measured based on the degree to which employees have achieved targets set at the beginning of the year. Performance criteria include nothing that might encourage irresponsible risk-taking.

Variable remuneration is only awarded if 1) Van Lanschot Kempen's financial position allows; 2) it is justified by the performance of Van Lanschot Kempen, the relevant business unit and the individual employee; 3) Van Lanschot Kempen meets the prevailing buffer requirements under the EU's Capital Requirements Regulation (CRR), the Dutch Financial Supervision Act (Wft) and its implementing legislation; 4) the risks taken have been reassessed and no material risks have occurred that were not expected or factored in; and 5) the employee has received a good performance assessment, has met compliance targets, has not been subject to disciplinary measures and has not taken any risks that fall outside Van Lanschot Kempen's accepted risk profile.

## Payment

Variable remuneration can be paid to employees entirely in cash up to a gross maximum of €50,000. If it exceeds this amount, 50% of the portion above the gross figure of €50,000 is paid immediately and unconditionally and the remaining 50% conditionally and on a deferred basis over a period of three years following the year in which it was awarded.

The Statutory Board may, with the approval of the Supervisory Board, hold or claw back all or part of the:

- Conditional variable remuneration previously awarded to an employee (or former employee) if payment of the variable remuneration would be considered unfair or unreasonable ("malus");
- Variable remuneration previously paid to an employee (or former employee). This might occur, for instance, if payment was based on incorrect information about achievements or about the conditions on which the variable remuneration depended.

If payment has taken place on the basis of such incorrect information, or has been made in conflict with the variable remuneration policy and/or applicable legislation and regulations, the Statutory Board will exercise its authority in this respect.

### Long-term share plan

Our 2015 long-term share plan (LTP) allows us to award variable remuneration to certain key employees, including identified staff. The plan is not open to members of the Statutory or Executive Boards. Offering variable remuneration in the form of depositary receipts for Class A Van Lanschot Kempen shares ("Van Lanschot Kempen shares"), the LTP is governed by our variable remuneration policy. Under the LTP, 60% of the Van Lanschot Kempen shares are awarded immediately and unconditionally, while 40% are awarded conditionally over a period of three years starting in the year after the year of conditional award (the vesting period).

### Profit-sharing plan

In 2017, we introduced a profit-sharing plan for all Van Lanschot Kempen employees working in the Netherlands to further increase their alignment with Van Lanschot Kempen as shareholders. As a result, for the 2017 financial year, an equal number of Van Lanschot Kempen shares were granted to all employees in scope in February 2018. The number of shares is linked to Van Lanschot Kempen's profit and is conditional on this exceeding a certain threshold. A lock-up period of two years applies and the same profit-sharing plan will be offered in 2018.

### Remuneration policy for identified staff of Van Lanschot Kempen

Identified staff are employees whose activities have a material impact on the risk profile of the business. Strict additional rules apply to the variable remuneration of this group of employees. The identified staff remuneration policy applies to all identified staff of Van Lanschot Kempen. Members of the Statutory and Executive Boards are not eligible for variable remuneration.

The criteria of the variable remuneration policy for identified staff are the same as for Van Lanschot Kempen's variable remuneration policy. The variable remuneration of identified staff is paid 50% in cash and 50% in Van Lanschot Kempen shares, while the variable remuneration of identified staff of Kempen Capital Management NV (KCM) is paid 50% in cash and 50% in a flexible mix of Van Lanschot Kempen shares and investments in funds managed by KCM. In all cases, 60% of both parts of the variable remuneration is awarded immediately and unconditionally, and 40% conditionally and deferred. This deferred remuneration is then paid out over a period of three years following the year of award. Whether an award becomes unconditional depends on reassessment of a number of predetermined criteria. If this reassessment leads to a review of the deferred remuneration, a malus penalty system applies. A lock-up period of one year applies to Van Lanschot Kempen shares that have become unconditional.

More information about our remuneration policy for identified staff can be found at [vanlanschotkempen.com/remunerationpolicies](http://vanlanschotkempen.com/remunerationpolicies).

### Statutory Board remuneration policy

The remuneration policy for members of Van Lanschot Kempen's Statutory Board is adopted by the General Meeting following a proposal by the Supervisory Board. The policy is aimed at ensuring a balanced, sustainable and competitive remuneration package.

When adopting the Statutory Board remuneration package, we consider pay ratios within the company. A comparison of the remuneration package of the CEO and the average labour cost<sup>1</sup> of an employee within Van Lanschot Kempen results in a pay ratio of 9:1 (unchanged on the previous financial year).

We ended all variable remuneration for the Statutory Board in 2015. As partial compensation, a fixed remuneration component was introduced in the form of Van Lanschot Kempen shares with a lock-up period of three years.

The share ownership guidelines also stipulate that Van Lanschot Kempen shares held by Statutory Board members must be equivalent to the cash portion of two years' gross salary for as long as they remain in office. Statutory Board members will gradually meet this requirement over the years through the award of fixed remuneration in the form of Van Lanschot Kempen shares. The share ownership guidelines contribute to Van Lanschot Kempen's long-term value creation.

The General Meeting granted permission to the Supervisory Board to adjust the fixed remuneration of Statutory Board members. The Supervisory Board decided to increase the total fixed remuneration of the Statutory Board by 3% with effect from 1 January 2017.

In December 2017, Willis Towers Watson conducted a market assessment for the total remuneration package of the Statutory Board. The group against which the market assessment was conducted consisted of peers within:

- The Dutch banking sector;
- Western European specialised stand-alone wealth management companies;
- Dutch corporates (cross-industry benchmark).

The total remuneration of all Statutory Board members came out of this exercise as being significantly below median level for comparable positions inside and outside the financial sector.

For information on the composition of the reference group used for the market comparison of Statutory Board remuneration, please refer to [vanlanschotkempen.com/remunerationpolicies](http://vanlanschotkempen.com/remunerationpolicies). This information is an integral part of the remuneration section.

### Statutory Board remuneration package

The following table shows the remuneration package for members of the Statutory Board. There are no early retirement schemes for Board members. Their severance remuneration is in line with current statutory and regulatory rules and amounts to one year's gross salary. There is also no variable compensation.

Members of the Statutory Board receive a fixed gross salary including holiday pay. Part of this salary is paid in cash in 12 equal monthly instalments. The remainder is paid as a single award in the form of Van Lanschot Kempen shares, with the proviso that Statutory Board members will receive the net equivalent in Van Lanschot Kempen shares and that Van Lanschot Kempen will pay the income tax due on their behalf.

<sup>1</sup> The average labour cost is calculated by dividing total staff costs by the number of FTEs working for Van Lanschot Kempen. The total staff costs are detailed on page 192 of the financial statements.

Statutory Board remuneration package	Type of payment	Purpose/rationale
Fixed income	Cash	Reflects responsibilities, performance and market trends
Fixed income	Van Lanschot Kempen shares	Achievement of long-term strategy
Benefits	Payment towards pension and disability insurance, fixed expenses reimbursement	Market competitiveness

The salary of the Chairman of the Statutory Board amounts to €1,004,250 (partly in cash and partly in the form of Van Lanschot Kempen shares).

The other members of the Statutory Board receive a salary of €643,750 (partly in cash and partly in Van Lanschot Kempen shares). A lock-up period of three years after transfer applies for Van Lanschot Kempen shares awarded as part of gross salary, or longer if needed to enable an individual member of the Statutory Board to comply with share ownership guidelines. The number of Van Lanschot Kempen shares to be awarded as part of gross salary each year is determined on the basis of the weighted average price of the share over the first four trading days in January of the year to which the salary relates.

For more information on shares and options granted, see "Remuneration of the Statutory and Supervisory Boards" on pages 222-225 of the 2017 financial statements.

### Benefits

The members of the Statutory Board are responsible for their own pension provision, towards which they receive a payment. They also receive a payment for taking out disability insurance. These payments are calculated as a percentage of their fixed annual salary: 20% for the Chairman and 21% for the other members. The payment for disability insurance amounts to 2.45% of the fixed annual salary of the Chairman and 2.59% of the salary of the other Statutory Board members. Members receive a net payment to cover expenses amounting to €5,160 per person per year.

### Supervisory Board remuneration policy

The following table summarises the remuneration and expenses paid to members of the Supervisory Board.

Remuneration and expenses (€)	Chairman	Deputy Chairman	Member
Supervisory Board membership fee	75,000	60,000	50,000
Audit and Compliance Committee	15,000		10,000
Risk Committee	12,000		8,000
Remuneration Committee	6,000		4,000
Selection and Appointment Committee	6,000		4,000
Expenses	2,500	2,500	2,500

### Remuneration in 2017

#### Employees' variable remuneration

Variable remuneration totalling €15.9 million was paid to employees (including identified staff) of Van Lanschot Kempen.

#### Highest remuneration

One person within Van Lanschot Kempen received total annual remuneration of over €1 million in 2017.

#### Remuneration of the Statutory Board

The tables below show the remuneration and other payments received by members of the Statutory Board in 2017 and 2016.

Remuneration of Statutory Board (€)	2017 <sup>2</sup>						2016					
	Total fixed remuneration	Cash	Van Lanschot Kempen shares	Pension payment	Disability insurance payment	Expenses	Total fixed remuneration	Cash	Van Lanschot Kempen shares	Pension payment	Disability insurance payment	Expenses
Karl Guha	1,004,250	779,250	225,000	200,850	24,605	5,160	975,000	750,000	225,000	195,000	23,888	5,160
Constant Korthout	643,750	443,750	200,000	135,188	16,674	5,160	625,000	425,000	200,000	131,250	16,188	5,160
Richard Bruins	643,750	443,750	200,000	135,188	16,674	5,160	625,000	425,000	200,000	131,250	16,188	5,160
Arjan Huisman	643,750	443,750	200,000	135,188	16,674	5,160	625,000	425,000	200,000	131,250	16,188	5,160

2 Total fixed remuneration increased by 3% with effect from 1 January 2017 (in 2017 the increase in total fixed remuneration was paid fully in cash). Pension and disability payments are calculated as a percentage of total fixed remuneration.

### Remuneration of the Supervisory Board

The amounts paid to the members of the Supervisory Board in 2017 and 2016 are shown in the following table. In addition, members receive annual expense reimbursements of €2,500.

Remuneration of Supervisory Board <sup>3</sup> (€)	2017			2016 <sup>7</sup>		
	Membership fee	Committee fees	Total	Membership fee	Committee fees	Total
Willy Duron (Chairman)	75,000	32,000	107,000	75,000	32,000	107,000
Manfred Schepers (Deputy Chairman) <sup>4</sup>	40,000	9,000	49,000	–	–	–
Jeanine Helthuis	50,000	14,000	64,000	50,000	14,000	64,000
Bernadette Langius	50,000	12,000	62,000	50,000	12,000	62,000
Godfried van Lanschot	50,000	10,000	60,000	50,000	10,000	60,000
Lex van Overmeire <sup>5</sup>	45,833	19,417	65,250	–	–	–
Jos Streppel <sup>6</sup>	25,000	11,250	36,250	60,000	27,000	87,000

<sup>3</sup> Some figures have been rounded to the nearest thousand.

<sup>4</sup> Manfred Schepers was appointed to the Supervisory Board on 18 May 2017.

<sup>5</sup> Lex van Overmeire was appointed to the Supervisory Board on 30 January 2017.

<sup>6</sup> Jos Streppel stepped down from the Supervisory Board on 18 May 2017.

<sup>7</sup> Tom de Swaan stepped down from the Supervisory Board on 25 February 2016. In 2016, he received €8,167 in remuneration.